

Message Text

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16

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TAGS: AIND, ENRG, BEXP, BMEP, GR
SUBJ: ASPROPYRGOS REFINERY PROJECT
REF (A) STATE 135232; (B) STATE 126527
DEPT PASS EXIMBANK

1. EMBREPS DISCUSSED CURRENT STATUS OF DOLS 250 MILLION ASPROPYRGOS REFINERY EXPANSION PROJECT WITH MANAGING DIRECTOR TAVOULARIS JUNE 17TH. ALL PREPARATORY STUDIES -INCLUDING THOSE OF LUMMUN AND KELLOG-ARE COMPLETED. THE PROJECT NOW AWAITS ONLY GOG APPROVAL WHICH, TAVOULARIS SAID, COORDINATION MINISTER PAPALIGOURAS TOLD HIM WOULD BE FORTHCOMING IN TWO MONTHS. THE DELAY IN OBTAINING GOVERNMENT APPROVAL, TAVOULARIS ASSERTED, DERIVES PRIMARILY FROM:
(1) GOG'S CONCENTRATION ON OTHER PROBLEMS, MOST RECENTLY PASSING THE NEW CONSTITUTION THROUGH PARLIAMENT, WHICH HAVE PREVENTED THE GOG FROM ADDRESSING ITS ATTENTION TO NEW DEVELOPMENT PROJECTS; AND (2) GOG AWARENESDTHAT APPROVING ASPROPYRGOS' REFINERY WOULD EXCITE A STRONG REACTION FROM OTHER REFINERY OPERATORS WHO ALSO WANT TO EXPAND, AN ISSUE WHICH GOG DOES NOT WISH TO FACE AT THIS TIME.

2. IN ADDITION, TAVOULARIS POINTED OUT A POSSIBLE
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INCONSISTENCY IN THE NEW CONSTITUTION WHICH MIGHT

ADVERSELY THE NEW ASPROPYRGOS EXPANSION. WHILE ARTICLE 107 FORESEES THE LAST ACT IN THE INVESTMENT "DEJUNTAFICATION" PROCESS (PROVIDING FOR A LAW WITHIN TWO MONTHS WHICH WILL ELABORATE PROCEDURES FOR REVISION OF CERTAIN FOREIGN INVESTMENT CONTRACTS CONCLUDED UNDER THE JUNTA), IT NEVERTHELESS REAFFIRMS PROTECTION OF FOREIGN CAPITAL INVESTED UNDER LAW 2687. ARTICLE 106, HOWEVER, PERMITS FUTURE LEGISLATION WHICH WOULD ALLOW COMPULSORY STATE PARTICIPATION IN LOCAL "MONOPOLIES". SINCE THE ASPROPYRGOS EXPANSION IS LINKED TO GREECE'S FIRST PETROCHEMICAL COMPLEX, TAVOULARIS IS CURRENTLY UNSURE WHETHER GOG AND PARLIAMENT WILL INTERPRET THIS BE TO A "MONOPOLY" AND THEREFORE, UNDER THE TERMS OF SOME FUTURE LAW, A CANDIDATE FOR COMPULSORY STATE MANAGEMENT PARTICIPATION. THE CONSTITUTION DOES NOT STATE CLEARLY WHETHER ART 106 APPLIES TO FOREIGN AS WELL AS LOCAL INVESTMENTS AND THUS COULD DILUTE THE PROTECTION WHICH ART 107 AFFORDS FOREIGN INVESTMENT UNDER LAW 2687. IN VIEW OF THIS CONFUSION, TAVOULARIS IS NOT OVERLY CONCERNED AT A TWO MONTH ADDITIONAL DELAY. BY END OF SUMMER, HE BELIEVES, GOVERNMENT POLICY ON ARTICLES 106 AND 107 SHOULD BE CLEAR AND ASPROPYRGOS MANAGEMENT WILL MAKE FINAL DECISION WHETHER TO PUSH AHEAD WITH EXPANSION OR NOT. TAVOULARIS IS FRANKLY OPTIMISTIC.

3. TAVOULARIS ALSO SAID ASPROPYRGOS CHAIRMAN STAVROS NIARCHOS AND GOG HAD PRELIMINARILY AGREED TO SUBSUME REFINERY EXPANSION UNDER AMENDMENT TO NIARCHOS/GOG 1970 INVESTMENT CONTRACT. THUS BOTH PARTIES WOULD AVOID TIME CONSUMING DELAY INHERENT IN NEGOTIATION OF NEW CONTRACT.

4. TAVOULARIS ALSO SPECULATED, AS HE HAS BEFORE, ON POSSIBILITY THAT GOG'S CANCELLATION OF KRUPP EQUIPMENT SUPPLY AWARD HAD CAUSED DISENCHANTMENT AMONG GERMAN INDUSTRIALISTS WITH INVESTMENT IN GREECE. THIS COULD ACCOUNT FOR WHAT HE CONSIDERS RETICENCE ON HOECHST'S PART TO PUSH AHEAD WITH PETROCHEMICAL SIDE OF REFINERY EXPANSION. (HE ALSO CLAIMED CHIMIE DE FRANCE HAD SHOWN INTEREST IN TAKING HOECHT'S PART SHOULD GERMAN FIRM OPT OUT THE PROJECT.) IN SUBSEQUENT DISCUSSION WITH EMBASSY, HOECHST LOCAL REP DENIED HOECHST DECISION WOULD BE INFLUENCED BY KRUPP CASE. LIMITED OFFICIAL USE

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RATHER, HE SAID, HOECHST WAS WATCHING DEVELOPMENT OF GOG ATTITUDE OVER SAME ART 106 CITED BY TAVOULARIS. MORE IMPORTANTLY, HOECHST IS WAITING FOR UPSWING IN GENERAL ECONOMIC SITUATION. POSITIVE DEVELOPMENT IN THESE TWO AREAS, WHICH HE EXPECTS IN TWO TO SIX MONTHS, WILL ELICIT DECISION TO GO AHEAD FROM FIRM'S BOARD OF DIRECTORS WHICH, HE SAID, IS ALREADY FAVORABLY, IF INFORMALLY, INCLINED.

5. WHEN THE PROJECT ACTUALLY MOVES AHEAD, FINANCING
WILL BE CRUCIAL TO US PROVISION OF EQUIPMENT AND
ENGINEERING SERVICES. THE EMBASSY HOPES EXIM WILL GIVE
POSITIVE CONSIDERATION TO THIS PROJECT, PARTICULARLY IN
LIGHT OF CHARIMAN CASEY'S CABLE TO AMBASSADOR KUBISCH
(REF B).
KUBISCH

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